

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

11 KAROUN DAIRIES, INC., ) Civil No. 08cv1521-L(WVG)  
12 Plaintiff, )  
13 v. ) **ORDER (1) DENYING PLAINTIFF'S  
14 KAROUN DAIRIES, INC., *et al.* ) MOTION FOR A PRELIMINARY  
15 Defendants; ) INJUNCTION, AND (2) DENYING  
16 AND RELATED COUNTERCLAIM. ) PLAINTIFF'S MOTION TO  
17 ) DISMISS THE COUNTERCLAIM**  
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21 \_\_\_\_\_ )  
22 \_\_\_\_\_ )  
23 \_\_\_\_\_ )  
24 \_\_\_\_\_ )  
25 \_\_\_\_\_ )

18 This trademark infringement action arises from a family dispute over the right to use in  
19 the United States a trademark previously established in the family business in Lebanon. Plaintiff  
20 was first to use and register the mark in the United States and filed this infringement action  
21 against Defendants. Defendants filed a counterclaim alleging that Plaintiff is the infringer and  
22 requested cancellation of Plaintiff's registered mark. Plaintiff moved for a preliminary  
23 injunction pursuant to Federal Rule of Civil Procedure 65(a) and to dismiss the counterclaim  
24 pursuant to Rule 12(b)(6) for lack of trademark standing. For the reasons which follow,  
25 Plaintiff's motions are **DENIED**.

26 Plaintiff's founder, Anto Baghdassarian and Defendant Ara Baghdassarian are brothers.<sup>1</sup>  
27 \_\_\_\_\_

28 <sup>1</sup> For ease of reference, the court will refer to these parties throughout as Anto and Ara, respectively. No disrespect is intended by the use of first names.

1 Anto and Ara both worked for many years in the family dairy business in Lebanon (“Karoun  
 2 Lebanon”).<sup>2</sup> Karoun Dairies is a trade name which has been used in the family business since  
 3 1931 and is registered in Lebanon. Karoun Lebanon was well known in the Middle East and  
 4 exported its products as far as Paris and London. (Answer and Countercl. at 10-11.)<sup>3</sup>

5 Ara was Karoun Lebanon’s financial controller and manager. (Answer and Countercl. at  
 6 10.) Anto was a shareholder, director and officer of Karoun Lebanon. In these capacities, he  
 7 was privy to the company’s plans to further expand its business outside Lebanon. (*Id.* at 11.) In  
 8 approximately 1990, after the death of his father and due to civil unrest in Lebanon, Anto sold  
 9 his interest in Karoun Lebanon to Ara, and moved to the United States. (*Id.*; Decl. of Andrea M.  
 10 Kimball in Supp. of Karoun Dairies, Inc.’s Mot. for Prelim. Inj. (“Kimball Decl.”) Ex. L at 30;  
 11 Decl. of John M. Nading in Supp. of Defs/Countercls’ Opp’n to Pl./Counterdef.’s Mot. to  
 12 Dismiss (“Nading Decl.”) Ex. B at 5.) While Ara asserts that they entered into an agreement  
 13 that Anto would not enter the dairy business, Anto disputes this. (*Cf.* Anto PI Decl. at 2 *with*  
 14 Third Decl. of Ara Baghdassarian in Supp. of Defs/Countercls’ Opp’n to Pl./Counterdef.’s Mot.  
 15 to Dismiss (“Ara Mot. to Dismiss Decl.”) at 1.)

16 Subsequently, Ara continued to manage Karoun Lebanon, which proceeded to expand its  
 17 business. Karoun Lebanon participated in local and international exhibitions, and advertised in  
 18 international directories and journals. (Answer and Countercl. at 11.) In 1998 Karoun Lebanon  
 19 registered the karoun.com and karoundairies.com domain names. (Suppl. Decl. of Andrea M.  
 20 Kimball in Supp. of Karoun Dairies, Inc.’s Reply in Supp. of Its Mot. for Prelim. Inj. (Suppl.  
 21 Kimball Decl.”) Ex. 3.) It focused its expansion efforts on the United States, Canada, Australia  
 22 and Europe because these regions were politically stable and had large Lebanese and Armenian  
 23 communities. Karoun Lebanon registered its mark in Australia and Canada, it attempted  
 24 registration in the United States, and has a pending Community Trademark application in  
 25 Europe. (Answer and Countercl. at 11-12.) In 2004 or 2005 Karoun Lebanon had to

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27       <sup>2</sup> The family business was established in 1931 as a sole proprietorship known as  
 Laiterie Karoun. In 1972 it was incorporated in Lebanon under the name Karoun Dairies, S.A.L.

28       <sup>3</sup> The factual allegations from pleadings referenced herein were not disputed.

1 temporarily suspend production in Lebanon during a military conflict, however, it continued to  
 2 use the Karoun mark through its exclusive licensees, Defendants Karoun Dairies, Inc., a  
 3 Canadian corporation (“Karoun Canada”) and Karlacti, Inc., a Delaware corporation  
 4 (“Karlacti”). (See Ara Mot. to Dismiss Decl. at 2.)

5 Anto started a dairy business in California in 1992, incorporated Plaintiff and started  
 6 selling cheese products. (Decl. of Anto Baghdassarian in Supp. of Karoun Dairies, Inc.’s Mot.  
 7 for Prelim. Inj. (“Anto PI Decl.”) at 1-2.) Anto named his business after the family business in  
 8 Lebanon and marketed his products to Middle Eastern emigres in California and elsewhere in the  
 9 United States. (Nading Decl. Ex. B at 5; *see also id.* at Ex. A.) In 1993 Plaintiff registered  
 10 trademark “Karoun Dairies” and in 2003 it registered the mark “Karoun’s California Cheese, a  
 11 Whole Milk Cheese.” (Kimball Decl. Ex. A & B.) Plaintiff has invested in advertising and  
 12 promoting its marks in the United States by attending national trade shows and placing  
 13 newspaper and television advertising. (Anto PI Decl. at 4-5; Kimball Decl. Ex. B at 32-33.)  
 14 Plaintiff registered its first domain name, karouncheese.com, in 1999 and its second,  
 15 karoundairiesinc.com, in 2006. (Ara Mot. to Dismiss Decl. at 1.) Starting in February 2007,  
 16 Plaintiff registered a number of additional marks, including a circular logo with a drawing of a  
 17 cow’s head and the word “karoun.” (Kimball Decl. Ex. C-H.)

18 In January 2006 Ara retained intellectual property counsel in California. (Decl. of Ara  
 19 Baghdassarian in Supp. of Mot. to Dismiss for Lack of Personal Jurisdiction (“Ara Personal  
 20 Jurisdiction Decl.”) at 1.) In June 2006 Ara’s counsel filed a trademark application to register  
 21 the Karoun mark in the United States on behalf of Karoun Lebanon. Plaintiff objected and  
 22 demanded Ara to withdraw the application. Ara, on the other hand, asserted that Karoun  
 23 Lebanon intended to expand its business into the United States under the Karoun name and  
 24 demanded that Plaintiff cease and desist using the name. He argued that Anto had sold his right  
 25 to use the mark to Ara when he sold him his interest in the family business. In May 2007 Ara’s  
 26 trademark application was abandoned. (See Order Denying Defendants’ Motion to Dismiss for  
 27 Lack of Personal Jurisdiction, dated July 13, 2009 (“Personal Jurisdiction Order”), at 4.) In  
 28 ////

1 November 2007, Karoun Lebanon was able to register in the United States a circular logo with  
 2 two cows. (Ara PI Decl. Ex. B at 14.)

3 In July 2006 following the outbreak of military conflict in Lebanon, Ara and his family  
 4 immigrated into the United States. (Ara Personal Jurisdiction Decl. at 1.) In October 2006, Ara  
 5 and his family visited Anto and his family in California. While the precise nature of this visit is  
 6 disputed, Anto contends that Ara demanded a share in Plaintiff corporation or compensation,  
 7 both of which Anto denied. (See Personal Jurisdiction Order at 4-5.)

8 From October 2006 to August 2008, Ara contacted “a couple of times” Raffi Kradjian of  
 9 Kradjian Importing Co. in California. Mr. Kradjian is in the business of importing and  
 10 distributing Middle Eastern specialty foods in the United States. The precise nature of Ara’s  
 11 contacts with Mr. Kradjian are disputed. According to Ara, he contacted Mr. Kradjian on behalf  
 12 of Karoun Lebanon to “get a general feel of the U.S. market.” According to Anto, Ara  
 13 represented that his business was the “real” Karoun Dairies and asked him to deal only with Ara  
 14 to the exclusion of Plaintiff. (See Personal Jurisdiction Order at 5.)

15 In February 2007, Ara incorporated Karlacti in Delaware and in July 2008, he registered a  
 16 domain name karlacti.com. Although Karlacti has not and is not using the Karoun mark in  
 17 commerce in connection with any goods or services in the United States, its plans for expansion  
 18 in the United States were put on hold due to this litigation. (Third Decl. of Ara Baghdassarian in  
 19 His Capacity as President of Karlacti, Inc., a Delaware Corp., in Supp. of Defs/Countercls’  
 20 Opp’n to Pl./Counterdef’s Mot. for Prelim. Inj. (“Ara Karlacti PI Decl.”) at 2; Second Decl. of  
 21 Ara Baghdassarian in His Capacity as President of Karlacti, Inc., a Delaware Corp., in Supp. of  
 22 Defs/Countercls’ Opp’n to Pl./Counterdef.’s Mot. to Dismiss (“Ara Karlacti Mot. to Dismiss  
 23 Decl.”).)

24 In September 2007, Ara incorporated Karoun Canada, and in July and August 2008  
 25 registered domain names karoundairies.ca, karouncheese.ca, karounfoods.com,  
 26 karoundairiesgroup.com, karouncheese.net and karoundairy.com. The company had sales in  
 27 Canada starting in November 2007. All of its customers have been in Canada, and it has never  
 28 sold or offered for sale any products in the United States. The products are labeled “Not for sale

1 in the USA.” Its operations have been suspended due to this litigation. (Second Decl. of Ara  
 2 Baghdassarian in His Capacity as President of Karoun Dairies, Inc., a Canadian Corp., in Supp.  
 3 of Defs/Countercls’ Opp’n to Pl./Counterdef’s Mot. to Dismiss (Ara Karoun Canada Mot. to  
 4 Dismiss Decl.”); Third Decl. of Ara Baghdassarian in His Capacity as President of Karoun  
 5 Canada, Inc., a Canadian Corp., in Supp. of Defs/Countercls’ Opp’n to Pl./Counterdef.’s Mot.  
 6 for Prelim. Inj.)

7 Plaintiff admits that Karoun Canada registered the Karoun mark in Canada and has a right  
 8 to market and sell its goods under the Karoun name there. (Pl.’s Mot. for Prelim. Inj. at 19.) In  
 9 addition, in response to Plaintiff’s demand letters (Ara PI Decl. at 1-2), Defendants’ websites  
 10 include notices stating, “Licensees of the original KAROUN DAIRIES S.A.L. Beirut - Lebanon.  
 11 Not affiliated with KAROUN DAIRIES, Inc. California - USA incorporated without our  
 12 consent” and “KAROUN DAIRIES S.A.L. does not sponsor ARZ, GOPI LASSI and YANNI  
 13 branded dairy products.”<sup>4</sup> (Anto PI Decl. Ex. G.) Defendants are not “currently using the  
 14 KAROUN mark in commerce in connection with any goods or services in the United States, nor  
 15 targeting the United States under the KAROUN brand.” (Defs’ Opp’n to Pl.’s Mot. for Prelim.  
 16 Inj. at 3; *see also id.* at 17.)

17 In August 2008 Plaintiff filed a complaint against Ara, Karlacti and Karoun Canada. The  
 18 operative complaint claims trademark infringement under the Lanham Act and federal common  
 19 law, false designation of origin and federal unfair competition, dilution, and unfair competition  
 20 under California law. Defendants filed a counterclaim for false designation of origin and federal  
 21 unfair competition under the Lanham Act, cancellation of trademark registrations, and  
 22 accounting.

23 Contending that it likely will prevail on the merits of its infringement and unfair  
 24 competition claims, Plaintiff filed a motion for a preliminary injunction, requesting an order  
 25 prohibiting Defendants from using any trademarks owned by Plaintiff, or any references thereto  
 26 and from using Plaintiff’s marks on any websites or products, including the use of Plaintiff’s

27  
 28 <sup>4</sup>

ARZ, GOPI LASSI and YANNI are some of the products sold by Plaintiff.

1 marks in the URL. In the alternative, Plaintiff requests that Defendants' websites be modified to  
 2 preclude visitors from the United States.

3 To the extent Plaintiff requests relief against Karoun Lebanon and its two web sites,  
 4 karoun.com and karoundairies.com, the court notes that Karoun Lebanon is not a party to this  
 5 action. "A federal court may issue an injunction if it has personal jurisdiction over the  
 6 parties . . . ; it may not attempt to determine the rights of persons not before the court." *Zepeda v.*  
 7 *INS*, 753 F.2d 719, 727 (9th Cir. 1983); Fed. R. Civ. Proc. 65(d). Accordingly, Plaintiff's  
 8 motion for a preliminary injunction is denied as to Karoun Lebanon and its websites.

9 With respect to Karoun Canada, Karlacti and Ara, "[a] preliminary injunction is an  
 10 extraordinary remedy never awarded as of right." *Winter v. Natural Res. Def. Council, Inc.*, \_\_  
 11 U.S. \_\_; 129 S. Ct. 365, 376 (2008) "A plaintiff seeking a preliminary injunction must establish  
 12 that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the  
 13 absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction  
 14 is in the public interest." *Id.* at 374.

15 The burden of proving the foregoing elements is on the moving party. *Marlyn*  
 16 *Neutraceuticals, Inc. v. Mucos Pharma GmbH & Co.*, 571 F.3d 873, 877 n.2 (9th Cir. 2009).  
 17 "Once the moving party has carried its burden of showing a likelihood of success on the merits,  
 18 the burden shifts to the non-moving party to show a likelihood of that its affirmative defense will  
 19 succeed." *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1158 (9th Cir. 2007).

20 To prevail on a trademark infringement claim, Plaintiff must show that Defendants "(1)  
 21 use in commerce (2) any word, false designation of origin, false or misleading description, or  
 22 representation of fact, which (3) is likely to cause confusion or misrepresents the characteristics  
 23 of his or another person's goods or services." *Marlyn Neutraceuticals*, 571 F.3d at 877.  
 24 Plaintiff assumes that Defendants' use of the Karoun mark constitutes "use in commerce." It  
 25 contends that Defendants have caused initial interest confusion, which "occurs when the  
 26 defendant uses the plaintiff's trademark in a manner calculated to capture initial consumer  
 27 attention, even though no actual sale is finally completed as a result of the confusion."  
 28 *Interstellar Starship Serv., Ltd. v. Epix, Inc.*, 304 F.3d 936, 941 (9th Cir. 2002). It argues that

1 Defendants' use of domain names which include the word "Karoun" confuses customers who  
 2 wish to purchase products from Plaintiff.<sup>5</sup> "To evaluate the likelihood of confusion, including  
 3 interest confusion, the so-called *Sleekcraft* factors provide non-exhaustive guidance," *Id.* at 942.  
 4 However, in the internet context, the three most important *Sleekcraft* factors "are (1) the  
 5 similarity of the marks, (2) the relatedness of the goods or services, and (3) the parties'  
 6 simultaneous use of the Web as a marketing channel." *Id.* When these factors suggest  
 7 confusion, the other factors must weigh strongly against a likelihood of confusion to avoid the  
 8 finding. *Id.*

9 It is undisputed that there is a likelihood of confusion in this case. The mark "Karoun  
 10 Dairy" is the same, the products are very similar, *i.e.*, Mediterranean-style dairy products, and  
 11 the parties use the internet as their marketing channel. The remaining *Sleekcraft* factors do not  
 12 negate the likelihood of confusion.

13 Defendants argue the confusion was created when Plaintiff adopted the Karoun mark.  
 14 Plaintiff relies on a 2004 e-mail from a Costco employee to rostom@karoundairies.com to show  
 15 an instance of actual confusion. (Anto PI Decl. Ex. I.) Because the domain name was registered  
 16 to Karoun Lebanon, the e-mail went there.<sup>6</sup> However, this was two years before Ara attempted  
 17 to register a trademark in the United States, and three years before Karoun Canada and Karlacti  
 18 were incorporated. It therefore appears that Defendants did not cause the confusion, but that it  
 19 originated with Plaintiff's use of the Karoun mark.

20 Defendants do not dispute the strong likelihood of confusion, but instead argue that they  
 21 are senior users and have a right to use the Karoun mark in the United States. Plaintiff counters  
 22 that Plaintiff was the first to register the mark in the United States and has exclusive use under

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24       <sup>5</sup> Plaintiff's reliance on internet search engine results to support its argument is  
 25 irrelevant. *Interstellar Starship*, 304 F.3d at 945 n.10 ("[W]e find largely irrelevant what results  
 26 when a given term is input into a search engine. Our initial interest confusion analysis does not  
 27 depend on a given business's payment or lack thereof to the various search engines.").

28       <sup>6</sup> In an attempt to show bad faith on Ara's part, Anto speculates that Karoun  
 29 Lebanon set up e-mail boxes with the names of Plaintiff's employees attached to Karoun  
 30 Lebanon's domain names. (Anto PI Decl. at 6.) This argument is rejected because the evidence  
 31 offered in its support is speculative and because Defendants provided evidence to the contrary.  
 32 (See Ara PI Decl. at 1.) Moreover, the e-mail was forwarded the same day to Plaintiff.

1 the territoriality principle of trademark law.

2 “A fundamental principle of trademark law is first in time equals first in right. . . . [¶]  
 3 Under the principle of first in time equals first in right, priority ordinarily comes with earlier use  
 4 of a mark in commerce.” *Grupo Gigante SA de CV v. Dallo & Co., Inc.*, 391 F.3d 1088, 1093  
 5 (9th Cir. 2004). It is undisputed that Karoun Lebanon used the mark in commerce first, but not  
 6 in the United States, and that Plaintiff was first to use the mark in the United States. Under the  
 7 territoriality principle, the “priority of trademark rights in the United States depends solely upon  
 8 priority of use in the United States, not on priority of use anywhere else in the world. Earlier use  
 9 in another country usually just does not count.” *Id.* (brackets, footnote and internal quotation  
 10 marks omitted).

11 However, “even those who use marks in other countries can sometimes - when their  
 12 marks are famous enough - gain exclusive rights to the marks in this country.” *Id.* at 1095. This  
 13 is the case even when the foreign user has not used the mark in the United States. *Id.* at 1094;  
 14 *see also id.* at 1095.

15 While the territoriality principle is a long-standing and important doctrine within  
 16 trademark law, it cannot be absolute. An absolute territoriality rule without a  
 17 famous-mark exception would promote consumer confusion and fraud. Commerce  
 18 crosses borders. In this nation of immigrants, so do people. Trademark is, at its  
 core, about protecting against consumer confusion and palming off. There can be  
 no justification for using trademark law to fool immigrants into thinking that they  
 are buying from the store they liked back home.

19 *Grupo Gigante*, 391 F.3d at 1094 (footnote omitted). To come within the exception, the foreign  
 20 user must show that its mark acquired a secondary meaning and a substantial percentage of  
 21 consumers in the relevant American market is familiar with the foreign mark. *Id.* at 1098.

22 “Secondary meaning refers to a mark's actual ability to trigger in consumers' minds a link  
 23 between a product or service and the source of that product or service. That is, a mark has  
 24 secondary meaning when, in the minds of the public, the primary significance of a mark is to  
 25 identify the source of the product rather than the product itself.” *Id.* at 1095 (internal quotation  
 26 marks and footnote omitted).

27 Although Anto asserts that the “trademark and brand name KAROUN was not known by  
 28 consumers in the United States until I started Karoun in 1992” (Anto PI Decl. at 1), this bald

1 assertion is contradicted by prior representations on Plaintiff's website:

2 Karoun, which is Armenian for "springtime," was the name of the family factory  
 3 in Beirut, where Ohannese Baghdassarian specialized in yogurt before developing  
 4 cheese-making skills. *Almost anyone from that part of the world will recognize the  
 name.*

5 (Nading Decl. Ex. A. (emphasis added).) According to Plaintiff's own advertising, the Karoun  
 6 name was already known among the Middle Eastern immigrants in the United States.

7 To determine whether a substantial percentage of American consumers in the relevant  
 8 market is familiar with the foreign mark, the court considers the following:

9 The relevant American market is the geographic area where the defendant uses the  
 10 alleged infringing mark. In making this determination, the court should consider  
 11 such factors as the intentional copying of the mark by the defendant, and whether  
 12 customers of the American firm are likely to think they are patronizing the same  
 13 firm that uses the mark in another country. While these factors are not necessarily  
 14 determinative, they are particularly relevant because they bear heavily on the risks  
 15 of consumer confusion and fraud, which are the reasons for having a famous-mark  
 16 exception.

17 *Grupo Gigante*, 391 F.3d at 1098. It is beyond dispute that Plaintiff intentionally copied the  
 18 Karoun mark. In addition to showcasing the history of Karoun Lebanon on Plaintiff's website,  
 19 Anto discussed it in interviews for industry publications. For example, Cheese Market News  
 20 published interviews with Anto and later his son Rostom Baghdassarian on September 15, 2000  
 21 and July 18, 2008, respectively. (Nading Decl. Ex. B & C.) Anto admitted that he named his  
 22 business after his family's plant in Beirut. (*Id.* Ex. B at 5.) In each instance, Plaintiff drew on  
 23 the long history of the family business. (*Id.* Ex. B & C.) However, when Ara asked Cheese  
 24 Market News for a clarification of the 2008 article to state that Karoun Lebanon is still in  
 25 existence and that it is separate from Plaintiff, Plaintiff protested. (See Kimball Decl. Ex. L; *se*  
 26 *also* Nading Decl. Ex. C at 12-13.) Plaintiff used the Karoun mark because it was already well-  
 27 known in the United States among the immigrants from the Middle East. Accordingly,  
 28 Defendants, as Karoun Lebanon's licensees, have shown a likelihood of prevailing on their  
 senior user defense.

29 It therefore does not appear likely that Plaintiff can prevail on its infringement claims  
 30 against Defendants. Because Plaintiff's unfair competition claim is based entirely on the

1 infringement claims, it is also not likely that Plaintiff can prevail on the unfair competition  
 2 claim.

3 In the absence of likelihood of success on the merits, irreparable harm to Plaintiff cannot  
 4 be presumed. *See Marlyn Pharmaceuticals, Inc.*, 571 F.3d at 877. Furthermore, any harm likely  
 5 to result from the denial of Plaintiff's motion is slight. Even if Plaintiff had met its burden for a  
 6 preliminary injunction, the court could not grant the requested relief against Karoun Lebanon or  
 7 its websites, karoun.com and karoundairies.com, because Karoun Lebanon is not a party.  
 8 Plaintiff admits that Karoun Canada registered the mark in Canada and is entitled use it there.  
 9 (Pl.'s Mot. for Prelim. Inj. at 19.) Karlacti does not incorporate the Karoun name. (*See* Kimball  
 10 Decl. Ex. I at 23.) Any relief would therefore be limited to the accessibility of Karoun Canada's  
 11 websites from the United States and disabling links, if any, on karlacti.com. However, because  
 12 Karoun Canada's and Karlacti's websites already contain disclaimers stating that they are not  
 13 associated with Plaintiff and because neither is selling any products, the benefit to Plaintiff from  
 14 granting injunctive relief likely would be meager. The likelihood of irreparable harm therefore  
 15 does not weigh in favor of granting Plaintiff's motion.

16 Last, based on the facts of this case, the court cannot find that the "balance of equities tips  
 17 in [Plaintiff's] favor" or that "an injunction is in the public interest." *See Winter*, 129 S. Ct. at  
 18 376. Accordingly, Plaintiff's motion for a preliminary injunction is **DENIED**.

19 Plaintiff also filed a motion to dismiss Defendants' counterclaims for lack of trademark  
 20 standing. A Rule 12(b)(6) motion tests the sufficiency of the complaint. *Navarro v. Block*, 250  
 21 F.3d 729, 732 (9th Cir. 2001). "While a complaint attacked by a Rule 12(b)(6) motion to  
 22 dismiss does not need detailed factual allegations, a plaintiff's obligation to provide the grounds  
 23 of his entitlement to relief requires more than labels and conclusions, and a formulaic recitation  
 24 of the elements of a cause of action will not do. Factual allegations must be enough to raise a  
 25 right to relief above the speculative level." *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555  
 26 (2007) (internal quotation marks, brackets and citations omitted). In reviewing a motion to  
 27 dismiss under Rule 12(b)(6), the court must assume the truth of all factual allegations and must  
 28 construe them in the light most favorable to the nonmoving party. *Cahill v. Liberty Mut. Ins.*

1 *Co.*, 80 F.3d 336, 337-38 (9th Cir. 1996). Legal conclusions need not be taken as true merely  
 2 because they are cast in the form of factual allegations. *Roberts v. Corrothers*, 812 F.2d 1173,  
 3 1177 (9th Cir. 1987); *W. Mining Council v. Watt*, 643 F.2d 618, 624 (9th Cir. 1981). Similarly,  
 4 “conclusory allegations of law and unwarranted inferences are not sufficient to defeat a motion  
 5 to dismiss.” *Pareto v. Fed. Deposit Ins. Corp.*, 139 F.3d 696, 699 (9th Cir. 1998).

6 “[W]hen ruling on a motion to dismiss, [the court] must disregard facts that are not  
 7 alleged on the face of the complaint or contained in documents attached to the complaint,” with  
 8 the exception of the “incorporation by reference doctrine, which permits [the court] to take into  
 9 account documents whose contents are alleged in a complaint and whose authenticity no party  
 10 questions, but which are not physically attached to the [complaint].” *Knievel v. ESPN*, 393 F.3d  
 11 1068, 1076 (9th Cir. 2005) (internal quotation marks and citations omitted). Neither party  
 12 requested to convert Plaintiff’s motion to dismiss to a motion for summary judgment. *See* Fed.  
 13 R. Civ. P. 12(d). Accordingly, Plaintiff’s objections to Ara’s affidavits filed with his opposition  
 14 are sustained. Ara’s affidavits were not considered in ruling on this motion. For the same  
 15 reasons, Plaintiff’s assertions of fact in its briefs (*see, e.g.*, Pl.’s Mot. to Dismiss at 3 & 9 n.3;  
 16 Reply at 8), were also not considered.

17 Plaintiff argues that Defendants lack standing to pursue a counterclaim for false  
 18 designation of origin and federal unfair competition under 15 U.S.C. Section 1125(a) because  
 19 they did not use the Karoun mark in commerce in the United States. (*See, e.g.*, Pl.’s Mot. to  
 20 Dismiss at 5-6.)<sup>7</sup> Defendants point out, however, that in its motion for a preliminary injunction,  
 21 Plaintiff took the opposite position on Defendants “use in commerce” of the Karoun mark. *See*  
 22 *Marlyn Neutraceuticals*, 571 F.3d at 877 (“use in commerce” is an element). Moreover, in  
 23 opposition to Plaintiff’s motion to dismiss for lack of personal jurisdiction, Anto declared that  
 24 Karoun Canada’s web sites “actively solicit[] business from people in . . . the United States and  
 25 California.” (Decl. of Anto Baghdassarian in Supp. of Karoun Dairies, Inc.’s Opp’n to Defs’

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26  
 27 <sup>7</sup> For purposes of this claim, the correct standard is that the claimant “need only  
 28 allege commercial injury based upon deceptive use of a trademark or its equivalent to satisfy the  
 standing requirements.” *Jack Russell Terrier Network of N. Cal. v. Am. Kennel Club, Inc.*, 407  
 F.3d 1027, 1037 (9th Cir. 2005); *see also Waits v. Frito-Lay, Inc.*, 978 F.2d 1093, 1109-10 (9th  
 Cir. 1992).

1 Mot. to Dismiss at 3.) Similarly, Plaintiff alleges in the operative complaint that Karoun Canada  
 2 “makes, distributes and sells the very same products as [Plaintiff] in the United States.” (Second  
 3 Am. Compl. at 6.)

4 Where a party assumes a certain position in a legal proceeding, and succeeds in  
 5 maintaining that position, he may not thereafter, simply because his interests have  
 6 changed, assume a contrary position, especially if it be to the prejudice of the party  
 7 who has acquiesced in the position formerly taken by him. This rule, known as  
 judicial estoppel, generally prevents a party from prevailing in one phase of a case  
 on an argument and then relying on a contradictory argument to prevail in another  
 phase.

8 *New Hampshire v. Maine*, 532 U.S. 742, 749 (2001) (brackets, internal quotation marks and  
 9 citation omitted). “Its purpose is to protect the integrity of the judicial process by prohibiting  
 10 parties from deliberately changing positions according to the exigencies of the moment.” *Id.*  
 11 (internal quotation marks and citations omitted). In considering whether to apply this equitable  
 12 doctrine in a particular case, three factors may inform the decision:

13 First, a party’s later position must be “clearly inconsistent” with its earlier position.  
 14 Second, courts regularly inquire whether the party has succeeded in persuading a  
 15 court to accept that party’s earlier position, so that judicial acceptance of an  
 16 inconsistent position in a later proceeding would create the perception that either  
 17 the first or the second court was misled. Absent success in a prior proceeding, a  
 party’s later inconsistent position introduces no risk of inconsistent court  
 18 determinations, and thus poses little threat to judicial integrity. A third  
 consideration is whether the party seeking to assert an inconsistent position would  
 derive an unfair advantage or impose an unfair detriment on the opposing party if  
 not estopped.

19 *Id.* at 750-51 (internal quotation marks and citations omitted).

20 In this case, the position that Defendants did not use the marks in commerce in the United  
 21 States, asserted in the motion to dismiss, is “clearly inconsistent” with the position that they did,  
 22 asserted in support of the motion for a preliminary injunction. It is also inconsistent with the  
 23 allegations in the operative complaint and declaration supporting personal jurisdiction over  
 24 Defendants. The court relied on Anto’s declaration regarding Karoun Canada’s activities in the  
 25 United States, among other things, in denying Defendants’ motion to dismiss for lack of personal  
 26 jurisdiction. The declaration prejudiced Defendants because it was one of the bases for holding  
 27 that they were subject to personal jurisdiction in California. Furthermore, Plaintiff’s attempt to  
 28 advance the inconsistent positions in the pending motions seeks an inherently inequitable result

1 – that Defendants be enjoined based on allegedly infringing activity on one hand, while they  
 2 should be precluded from asserting claims against Plaintiff which arise from the right to use the  
 3 same mark. This tactic is particularly inequitable because Defendants have delayed their  
 4 planned expansion in the United States due to this pending action. (Ara Karlacti Mot. to Dismiss  
 5 Decl.; Ara Karoun Canada Mot. to Dismiss Decl.)

6 Because the fundamental premise of Plaintiff’s lawsuit and its motion for a preliminary  
 7 injunction is that Defendants are using the Karoun mark in commerce in the United States so as  
 8 to damage Plaintiff’s interest in the same mark in the United States, and in order to prevent  
 9 unfair detriment to Defendants, Plaintiff is hereby estopped from arguing that Defendants lack  
 10 standing on their counterclaim because they are not using the Karoun mark in commerce in the  
 11 United States.

12 Moreover, Defendants allege that Karoun Canada and Karlacti are exclusive licensees of  
 13 Karoun Lebanon. (Answer and Countercl. at 9.) To the extent Plaintiff’s argument is based on  
 14 the contention that a third party not before the court is the mark’s owner, the contention is  
 15 without merit. *See* Ninth Cir. Model Jury Instr. 15.14.

16 Plaintiff next contends that Defendants lack standing and fail to allege sufficient grounds  
 17 to state a claim for cancellation of a trademark registration under 15 U.S.C. Section 1064(3).  
 18 Defendants seek to cancel Plaintiff’s registered marks “Karoun Dairies;” “Karoun’s California  
 19 Cheese, a White Milk Cheese;” “Karounette” and “Karoun” & Design.

20 “The Lanham Act allows for cancellation of a Principal Register registration by anyone  
 21 ‘who believes that he is or will be damaged . . . by the registration.’” *Cunningham v. Laser Golf*  
 22 *Corp.*, 222 F.3d 943, 945 (Fed. Cir. 2000), quoting 15 U.S.C. § 1064 (ellipsis in *Cunningham*).  
 23 “The party seeking cancellation must prove two elements: (1) that it has standing; and (2) that  
 24 there are valid grounds for cancelling the registration.” *Id.*

25 Plaintiff argues that Defendants lack standing for the cancellation claim because they are  
 26 not using the marks in commerce in the United States.<sup>8</sup> For the reasons discussed with respect to

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27  
 28 <sup>8</sup> In the cancellation context, standing “requires only that the party seeking cancellation believe that it is likely to be damaged by the registration. A belief in likely damage can be shown by establishing a direct commercial interest.” *Id.* (internal citations omitted); *see*

1 the first cause of action for false designation of origin and federal unfair competition, this  
 2 argument is rejected.

3 With respect to the second element of cancellation, Defendants rely on section 1064(3),  
 4 which provides that a registration can be cancelled at any time if “the registered mark is being  
 5 used by . . . the registrant so as to misrepresent the source of goods or services on or in  
 6 connection with which the mark is used.” “A cancellation claim for misrepresentation under  
 7 § 14(3) requires a pleading that registrant deliberately sought to pass off its goods as those of  
 8 petitioner. Willful use of a confusingly similar mark is not sufficient.” J. Thomas McCarthy,  
 9 *McCarthy on Trademarks and Unfair Competition*, § 20:60 (4th ed. 2010).

10 Defendants allege that Plaintiff intentionally used the Karoun name because it is well  
 11 known in the Middle East, and therefore well known to the Middle Eastern emigres in  
 12 California. (Answer and Countercl. at 12, 13.) Plaintiff intended its potential customers to  
 13 associate Plaintiff’s products with the products of Karoun Lebanon, although Plaintiff was not  
 14 associated with Karoun Lebanon. (*Id* at 12, 15.) Specifically, on its website Plaintiff stated that  
 15 “Karoun . . . was the name of the family factory in Beirut, where Ohannese Baghdassarian  
 16 specialized in yogurt before developing cheese-making skills. Almost anyone from that part of  
 17 the world will recognize the name.” (*Id.* at 12.)

18 These allegations go beyond willful use of a confusingly similar mark. Defendants allege  
 19 specific facts indicating a deliberate effort to pass off Plaintiff’s goods as Karoun Lebanon’s and  
 20 trade on its reputation. Accordingly, Plaintiff’s motion to dismiss the cancellation claim is  
 21 denied.

22 Last, Plaintiff seeks to dismiss the third cause of action for accounting, arguing that it is a  
 23 remedy rather than an independent claim and that it depends entirely on the success of the  
 24 remaining claims. Because Plaintiff’s motion is denied with respect to the remaining claims, its  
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 28 also *Star-Kist Foods, Inc. v. P.J. Rhodes & Co.*, 735 F.2d 346, 349 (9th Cir. 1984) (the petitioner  
 “must show a real and rational basis for his belief that he would be damaged by the registration  
 sought to be cancelled, stemming from an actual commercial or pecuniary interest in his own  
 mark”).

1 motion to dismiss accounting is also denied. Based on the foregoing, Plaintiff's motion to  
2 dismiss the counterclaims is **DENIED**.

3 **IT IS SO ORDERED.**

4  
5 DATED: September 13, 2010

6   
7 M. James Lorenz  
United States District Court Judge

8  
9 COPY TO:

10 HON. WILLIAM V. GALLO  
11 UNITED STATES MAGISTRATE JUDGE

12 ALL PARTIES/COUNSEL

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